SASKENERGY RETIRING ALLOWANCE PLAN

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Provincial Auditor Saskatchewan

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INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the SaskEnergy Retiring Allowance Plan, which comprise the statement of financial position as at December 31, 2011, December 31, 2010, and January 1, 2010, and the statements of changes in net assets available for benefits and changes in accrued benefit obligations for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the SaskEnergy Retiring Allowance Plan as at December 31, 2011, December 31, 2010 and January 1, 2010 and the changes in net assets available for benefits and accrued benefit obligations for the years ended December 31, 2011 and December 31, 2010 in accordance with Canadian accounting standards for pension plans.

Regina, Saskatchewan
March 22, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

SASKENERGY RETIRING ALLOWANCE PLAN **STATEMENT 1**
STATEMENT OF FINANCIAL POSITION

AS AT

(000's)	December 31, 2011	December 31, 2010	January 1, 2010 (Note 2a)
ASSETS			
Contribution receivable	**$13,180**	$13,853	$13,973
Total assets	**13,180**	13,853	13,973
NET ASSETS AVAILABLE FOR BENEFITS	**13,180**	13,853	13,973
Accrued benefit obligation (Note 3)	**13,180**	13,853	13,973
SURPLUS	**$ -**	**$ -**	$ -

(See accompanying notes to the financial statements)

SASKENERGY RETIRING ALLOWANCE PLAN **STATEMENT 2**
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEARS ENDED DECEMBER 31

(000's)	2011	2010
INCREASE IN ASSETS		
Contribution receivable	$1,319	$1,422
Total increase in assets	1,319	1,422
DECREASE IN ASSETS		
Eligible employee terminations	(1,384)	(956)
Other benefit payments	(608)	(586)
Total decrease in assets	(1,992)	(1,542)
Decrease in net assets	(673)	(120)
Net Assets Available for Benefits, beginning of the year	13,853	13,973
Net Assets Available for Benefits, end of the year	$13,180	$13,853

(See accompanying notes to the financial statements)

SASKENERGY RETIRING ALLOWANCE PLAN **STATEMENT 3**
STATEMENT OF CHANGES IN ACCRUED BENEFIT OBLIGATIONS

YEARS ENDED DECEMBER 31

(000's)	2011	2010
Accrued benefits obligation, beginning of the year	**$13,853**	$13,973
INCREASE IN ACCRUED BENEFITS OBLIGATION:		
Experience loss	**365**	50
Interest on accrued obligation	**542**	688
Assumption change – Discount rate	**372**	649
Benefits accrued	**40**	35
	1,319	1,422
DECREASE IN ACCRUED BENEFITS OBLIGATION:		
Eligible employee terminations	**(1,384)**	(956)
Other benefit payments	**(608)**	(586)
	(1,992)	(1,542)
Accrued benefits obligation, end of year	**$13,180**	$13,853

(See accompanying notes to the financial statements)

SASKENERGY RETIRING ALLOWANCE PLAN
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

1. Description of the Plan

The SaskEnergy Retiring Allowance Plan is a benefit plan that was carried forward from the Saskatchewan Power Corporation when SaskEnergy Incorporated (SaskEnergy) was created on June 1, 1988. The purpose of the SaskEnergy Retiring Allowance Plan is to provide retirement benefits to SaskEnergy and its subsidiary corporations' employees (the Participants).

SaskEnergy has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of SaskEnergy.

For employees who are members of the Communications, Energy and Paperworkers Union of Canada, Local 649 (in-scope employees), the years of service is the time earned up to and including December 31, 2004. Effective July 14, 2005 the retiring allowance was converted, for service time earned subsequent to December 31, 2004, to an annual contribution registered savings plan for those employees. Effective January 1, 2008, the years of service time is reduced by up to 2.5 days annually for contributions to the registered savings plan for in-scope employees. In addition, the years of service are reduced by up to 10 days annually for conversion to the In-scope Flexible Spending Account for in-scope employees with 30 years of company service.

For management employees, the years of service is the time earned up to and including December 31, 2005. Effective June 13, 2006 the retiring allowance was converted, for service time earned subsequent to December 31, 2005 to an annual contribution registered savings plan for those employees, other than designated executive employees. For designated executive employees, for service time earned subsequent to December 31, 2005, the retirement benefit will continue to accrue within the plan.

The Plan is not registered under the *Income Tax Act (Canada)*.

SaskEnergy managed the Plan from June 1, 1988 to January 13, 2004. On January 13, 2004, an Order in Council designated the Plan as a benefit program to be established, operated, administered and managed by the Public Employees Benefits Agency (PEBA). PEBA has an agreement with SaskEnergy setting out specific administration services that SaskEnergy will provide.

The following description is a summary of the contents of the Plan. For more complete information, reference should be made to the Plan document.

Eligibility

Under the Plan, SaskEnergy's permanent employees are eligible to receive benefits from the Plan upon termination of employment with SaskEnergy if they reach their benefit eligibility date prior to termination. The benefit eligibility date is the date when an employee becomes eligible to retire. If an active employee dies prior to retirement, the retiring allowance is paid to the employee's estate as a death benefit. Employees who are terminated for cause are not eligible.

For designated executive members, benefits which have accrued prior to December 31, 2005 are eligible to be paid out upon termination of employment with SaskEnergy if they reach their benefit eligibility date prior to termination. The benefit eligibility date is the date when an executive becomes eligible to retire. If an active executive dies prior to retirement, the retiring allowance is paid to the employee's estate as a death benefit. With respect to benefits which accrue subsequent to

December 31, 2005, executive employees, who terminate employment with SaskEnergy prior to retirement, are eligible to receive payment for service time earned after December 31, 2005.

As of December 31, 2011, there were 670 (2010 – 721) participants in the Plan and 38 (2010 – 27) terminated participants who received benefits from the Plan during the year.

Benefits

Employees meeting the eligibility criteria receive a lump sum payment equal to:

a) four days pay at their retirement salary rate multiplied by the first 35 years of service if 35 years of service was reached prior to January 31, 2000, or
b) five days pay at their retirement salary rate multiplied by years of service to a maximum of 35 years, if 35 years was not reached prior to January 31, 2000, and
c) two days pay multiplied by years of service for greater than 35 years (as defined in the Plan document).

For in-scope employees, the years of service is the time earned up to and including December 31, 2004 less service time converted to other employee benefits. For management employees, the years of service is the time earned up to and including December 31, 2005.

Designated executive employees, with service time subsequent to December 31, 2005, who terminate employment prior to retirement, are also eligible to receive five days pay at their termination rate for years of service earned after December 31, 2005.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian accounting standards for pension plans as outlined in the Canadian Institute of Chartered Accountants (CICA) Handbook section 4600, Pension Plans. For matters not addressed in section 4600, International Financial Reporting Standards guidance has been implemented.

2a. Adoption of New Accounting Standards

Effective January 1, 2011, the financial statements have been prepared in accordance with Canadian accounting standards for pension plans as outlined in the CICA Handbook section 4600, Pension Plans. These standards are required to be adopted with retrospective restatement. The transition to the new standards did not require any changes to prior year figures or the Plan's accounting policies. The opening statement of financial position in accordance with section 4600 as of January 1, 2010 has been disclosed for comparative purposes.

3. Accrued Benefits Obligation

The accrued benefits obligation of the Plan is receivable from SaskEnergy. The present value of the accrued benefits obligation was determined using the projected benefits method prorated on years of service and the best estimate assumptions of SaskEnergy's management. Experience losses result from actual experience differing from that expected and are recognized as an increase in the accrued benefits obligation.

An actuarial valuation was performed by AON Consulting Inc. as at December 31, 2011 to determine the actuarial present value of the accrued benefits obligation.

The accrued benefits obligation is based on certain assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The actuarial valuation is based on the following assumptions:

	2011	2010
Discount Rate	3.6%	4.2%
Inflation Rate	2.5%	2.5%
Salary Increase Rate	3.0%	3.0%
Termination Rate up to age 50	3.0%	3.0%

Retirement - Members of the Power Corporation Superannuation Plan – Earlier of age 62 or when 37 years of service is attained
- Members of the Public Employees Pension Plan – Age 58

The following illustrates the effect of changes in these assumptions on the accrued benefits obligation:

Assumption	Change Made	Change in Obligation at December 31, 2011 (000's)	Percentage change in Obligation
Termination Rate up to age 50	Plus 0.5% Minus 0.5%	(69) 71	(0.5%) 0.5%
Discount Rate	Plus 0.5% Minus 0.5%	(312) 327	(2.4%) 2.4%
Salary Increase Rate	Plus 0.5% Minus 0.5%	309 (298)	2.3% (2.3%)

The actuarial present value of the accrued benefits obligation is long-term in nature and there is no market for settling this obligation. Therefore, determination of the fair value is subject to measurement uncertainty and is not practicable.

4. Financial Risk Management

The nature of the Plan's operations result in a statement of net assets available for benefits, accrued pension benefits and surplus that consists entirely of financial assets and liabilities. As benefits are funded out of current operations of SaskEnergy, the Plan's financial risks relate primarily to credit risk. The maximum credit risk to which it is exposed at December 31, 2011 is limited to the carrying value of its contributions receivable from SaskEnergy.

5. Related Parties

Included in these financial statements are transactions with SaskEnergy who is related to the Plan by virtue of common control by the Government of Saskatchewan.

The Plan has received the use of office space and administrative services from SaskEnergy at no charge. Additionally, PEBA provides administrative services to the Plan for an administration fee which is paid by SaskEnergy.